25X1

Top Secret

DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

State Dept. review completed

25X1

Top Secret

c
3 July 1971

25X1

3 July 1971

Central Intelligence Bulletin

CONTENTS

25X1

        CHILE: The Central Bank's recommendation for
an austerity program probably will not be adopted by
the Allende government.

        The bank warned in mid-May that foreign exchange
reserves may be exhausted by the end of the year,
                                    It recommended
that the regime stop deficit spending, raise prices
charged by nationalized enterprises, reassure private
investors, devalue the escudo to stimulate exports
and reduce imports, and let prices for luxury goods
rise. The administration, however, intends for the
present to continue its expansionary policies,   25X1
                                                              25X1

25X1

              The US Embassy believes that Allende will
take some remedial action before reserves are ex-
hausted.

        Chile's consumer spending spree continues un-
abated and unemployment in Santiago dropped sharply
from eight to five percent between March and June
1971. Industrial production reportedly is approaching
capacity levels and will be hard pressed to meet de-
mand. As a result, prices are beginning to rise more
rapidly despite strict controls and increased imports,
but inflation this year is likely to be less than   25X1
last year. The government's ability to control price
increases will depend upon future imports and the
expansion of production facilities.

25X1

Next 6 Page(s) In Document Exempt

Top Secret

25X1

Top Secret